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FISCAL IMPACT STATEMENT

LS 6411

BILL NUMBER: HB 1104

NOTE PREPARED: Dec 28, 2007

BILL AMENDED:

SUBJECT: Fire Protection District Excess Property Tax Levy.

FIRST AUTHOR: Rep. Tincher

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill authorizes a property tax levy appeal to the Department of Local Government Finance by certain fire protection districts that have experienced growth.

Effective Date: Upon passage.

Explanation of State Expenditures: The state pays Property Tax Replacement Credits (PTRC) in the amount of 60% of school General Fund levies attributable to all property. The state also pays 20% of the portion of operating levies (including the remaining 40% of the school GF levy) that are attributable to real property and nonbusiness personal property. Homestead credits are paid by the state in the amount of 20% of the net property tax due for qualifying funds on owner-occupied residences. PTRC and Homestead credits are paid from the Property Tax Replacement Fund.

The bill first becomes effective for taxes payable in CY 2009. In CY 2009 PTRC and Homestead payments cannot exceed \$2,028.5 M (there is no limit at this time for CY 2010). Under current law, if the cost of these credits exceeds this limit, PTRC rates for all taxpayers would be proportionately reduced to stay within this limit. Assuming full funding of these payments in CY 2009 and CY 2010, under this proposal, annual state PTRC and Homestead payments would be increased by approximately \$2.3 M in CY 2009 and \$2.2 M in CY 2010. On a fiscal year basis, additional payments would be approximately \$1.2 M in FY 2009 (partial payment), and \$2.3 M in FY 2010.

Explanation of State Revenues:

Explanation of Local Expenditures: Forty-nine counties currently provide additional homestead credits that are paid with proceeds from a combination of county option income taxes (COIT) and county economic

development income taxes (CEDIT). Local homestead credits in both CY 2009 and CY 2010 are expected to be approximately \$97,000. COIT proceeds that are not used for county homestead credits are distributed to civil taxing units as certified shares. CEDIT proceeds that are the result of the additional rate allowed for homestead credits may only be used for homestead credits.

Explanation of Local Revenues: This bill authorizes a fire protection district to appeal to the Department of Local Government Finance (DLGF) to increase its maximum property tax levy for taxes payable in 2009 if its taxable assessed value in 2004 was at least 1.5 times the equivalent assessed value in 1999. The maximum levy increase would be \$212,500. To qualify for this increase an eligible district must file its appeal before September 20, 2008. The district has to stipulate that it needs the additional funding to support its governmental functions. If the appeal is approved, the district would be able to include this additional funding in its 2009 levy when computing its maximum levy for taxes payable in CY 2010.

Estimates from the local government database indicate that 42 out of 50 fire districts would qualify for this increase. Assuming that each fire district levies the maximum allowed, this would increase the total levy by approximately \$8.9 M. The increase in the tax rate for individual districts would range from a minimum of \$0.0001 to a maximum of \$0.0661 in CY 2009; in CY 2010 the range would be from \$0.0001 to \$0.0641.

State Agencies Affected: DLGF.

Local Agencies Affected:

Information Sources: Local government database.

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